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FISCAL IMPACT STATEMENT

LS 6743

BILL NUMBER: HB 1249

NOTE PREPARED: Dec 30, 2008

BILL AMENDED:

SUBJECT: Treatment of Unsold Homes as Inventory.

FIRST AUTHOR: Rep. Herrell

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that single-family residential property (other than land) is considered inventory and is therefore not subject to property taxation if the property: (1) is held by the builder on the assessment date in the ordinary course of the builder's trade or business; and (2) has never been occupied for any purpose.

Effective Date: January 1, 2009 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, new homes that are complete but unoccupied on the assessment date are assessed as any other home. The assessments for homes that are partially complete on the assessment date are prorated. The owner of a model home may receive a 50% AV deduction for up to three years. Each owner is limited to three model home deductions, statewide.

Under this bill, beginning with taxes payable in 2010, new homes held by the builder that are either partially or fully completed and have never been occupied would qualify as inventory. As such, the homes would be exempt from property taxation until they are sold.

The exemption would apply to the home, regardless of when the home was built. Therefore the assessed

value of existing never-occupied homes would be removed from the tax base. As these homes are sold, they would be added back to the tax base. The addition of future construction to the tax base could be delayed if the home is not sold by the assessment date.

The removal of existing AV from the tax base would result in an increased tax rate. The higher tax rate would shift part of the property tax burden from the new, unoccupied homes to all other property, and it would also result in an increase in circuit breaker credits in areas where the circuit breaker is in use.

The delay of adding future new home AV to the base would delay the normally occurring tax shift from existing properties to the new homes until the homes are sold.

The number of existing homes and the assessed value that would be removed from the tax base are not available.

State Agencies Affected:

Local Agencies Affected: County auditors; Civil taxing units and school corporations.

Information Sources:

Fiscal Analyst: Bob Sigalow, 317-232-9859.